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Taking on Tehran

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Summary: If Washington wants to derail Iran's nuclear program, it must take advantage of a split in Tehran between hard-liners, who care mostly about security, and pragmatists, who want to fix Iran's ailing economy. By promising strong rewards for compliance and severe penalties for defiance, Washington can strengthen the pragmatists' case that Tehran should choose butter over bombs.

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THE TICKING CLOCK

Even as the United States struggles to fix the troubled reconstruction of Iraq, the next big national security crisis has already descended on Washington. Investigators from the International Atomic Energy Agency (IAEA) have discovered that Iran is trying to acquire the capability to enrich uranium and separate plutonium, activities that would allow it to make fissile material for nuclear weapons. Revelations of Iran's massive secret program have convinced even doubtful European governments that Tehran's ultimate aim is to acquire the weapons or, at least, the ability to produce them whenever it wants.

It is an open question whether the United States could learn to coexist with a nuclear Iran. Since the death of Ayatollah Ruhollah Khomeini in 1989, Tehran's behavior has conveyed some very mixed messages to Washington. The mullahs have continued to define their foreign policy in opposition to the United States and have often resorted to belligerent methods to achieve their aims. They have tried to undermine the governments of Saudi Arabia and other U.S. allies in the Middle East; they have waged a relentless terrorist campaign against the U.S.-brokered Israeli-Palestinian peace process; and they have even sponsored at least one direct attack against the United States, bombing the Khobar Towers--a housing complex filled with U.S. troops--in Saudi Arabia in 1996. Although Tehran has been aggressive, anti-American, and murderous, its behavior has been neither irrational nor reckless. It has calibrated its actions carefully, showed restraint when the risks were high, and pulled back when threatened with painful consequences. Such calculations suggest that the United States could probably deter Iran even after it crossed the nuclear threshold.

There is no question, however, that the United States, the Middle East, and probably the rest of the world would be better off if they did not have to deal with a nuclear Iran. The hard part, of course, is making sure that Tehran never gets to that point. It appears to have made considerable progress in many aspects of its nuclear program, thanks to extensive assistance from Chinese, Germans, Pakistanis, Russians, and perhaps North Koreans. Iran's clerical regime has also shown itself willing to endure considerable sacrifices to achieve its most important objectives.

Yet there is reason to believe that Tehran's course can still be changed, if Washington takes advantage of the regime's vulnerabilities. Although Iran's hard-line leadership has maintained a remarkable unity of purpose in the face of reformist challengers, it is badly fragmented over key foreign policy issues, including the importance of nuclear weapons. At one end of the spectrum are the hardest of the hard-liners, who disparage economic and diplomatic considerations and put Iran's security concerns ahead of all others. At the opposite end are pragmatists, who believe that fixing Iran's failing economy must trump all else if the clerical regime is to retain power over the long term. In between these camps waver many of Iran's most important power brokers, who would prefer not to have to choose between bombs and butter.

This split provides an opportunity for the United States, and its allies in Europe and Asia, to forge a new strategy to derail Iran's drive for nuclear weapons. The West should use its economic clout to strengthen the hand of Iranian pragmatists, who could then argue for slowing, limiting, or shelving Tehran's nuclear program in return for the

trade, aid, and investment that Iran badly needs. Only if the mullahs recognize that they have a stark choice--they can have nuclear weapons or a healthy economy, but not both--might they give up their nuclear dreams. With concern over Iran's nuclear aspirations growing, the United States and its allies now have a chance to present Iran with just such an ultimatum.

THE GREAT DIVIDE

Iran's conservative bloc is riddled with factions and their contradictions. But whereas reformers and conservatives differ over domestic issues, the divisions within the conservative faction chiefly relate to critical foreign policy issues. Stalwarts of the Islamic revolution launched by Ayatollah Khomeini in 1979 still control Iran's judiciary, the Council of Guardians (the constitution's watchdog), and other powerful institutions, as well as key coercive groups such as the Revolutionary Guards and the Islamic vigilantes of the Ansar-e-Hezbollah. The hard-liners consider themselves the most ardent Khomeini disciples and think of the revolution less as an antimonarchical rebellion than as a continued uprising against the forces that once sustained the U.S. presence in Iran: Western imperialism, Zionism, and Arab despotism. Ayatollah Mahmood Hashemi Shahroudi, the chief of the judiciary, said in 2001, "Our national interests lie with antagonizing the Great Satan. We condemn any cowardly stance toward America and any word on compromise with the Great Satan." For ideologues like him, international ostracism is the necessary price for revolutionary affirmation.

The pragmatists among Khomeini's heirs believe that the regime's survival depends on a more judicious international course. Thanks to them, Iran remained a regular player in the global energy market even at the height of its revolutionary fervor. Today, these realists gravitate around the influential former president Hashemi Rafsanjani and occupy key positions throughout the national security establishment. One of the group's leading figures, Muhammad Javad Larijani, a former legislator, argues, "We should not have what I would call an obstinate policy toward the world." Instead, the pragmatic conservatives have tried to develop economic and security arrangements with foreign powers such as China, the European Union, and Russia. In reaction to the United States' overthrow of two regimes on Iran's periphery--in Afghanistan and Iraq--they have adopted a wary but moderate stance. Admonishing his more radical brethren, Rafsanjani, for example, has warned, "We are facing a cruel and powerful U.S. government, and we have to be cautious and awake."

In a similar vein, the issue of Iraq is also fracturing the theocratic regime. In the eyes of Iran's reactionaries, the Islamic Republic's ideological mission demands that the revolution be exported to its pivotal Arab (and majority Shiite) neighbor. Such an act would not only establish the continued relevance of Iran's original Islamic vision but also secure a critical ally for an increasingly isolated Tehran. In contrast, the approach of Tehran's realists is conditioned by the requirements of the nation-state and its demands for stability. For this cohort, the most important task at hand is to prevent Iraq's simmering religious and ethnic tensions from engulfing Iran. Instigating Shiite uprisings, dispatching suicide squads, and provoking unnecessary confrontations with the United States hardly serves Iran's interests at a time when its own domestic problems are deepening. As a result, Tehran's mainstream leadership has mostly encouraged Iraq's Shiite groups to participate in reconstruction, not to obstruct U.S. efforts, and to do everything possible to avoid civil war. Hard-liners, meanwhile, have won permission to provide some assistance to Muqtada al-Sadr's Mahdi Army and other Shiite rejectionists.

Teetering between the two camps is Iran's supreme religious leader, Ayatollah Seyed Ali Khamenei. As the theocracy's top ideologue, he shares the hard-liners' revolutionary convictions and their confrontational impulses. But as the head of state, he must safeguard Iran's national interests and temper ideology with statecraft. In his 16 years as supreme leader, Khamenei has attempted to balance the ideologues and the realists, empowering both factions to prevent either from achieving a preponderance of influence. Lately, however, the Middle East's changing political topography has forced his hand somewhat. With the American imperium encroaching menacingly on Iran's frontiers, Khamenei, one of the country's most hawkish thinkers, is being forced to lean toward the pragmatists on some issues.

THE NUCLEAR CARD

More than any other issue, the pursuit of nuclear weapons has exacerbated tensions within Iran's clerical estate. The theocratic elite generally agrees that Iran should maintain a nuclear research program that could eventually allow it to build a bomb. After all, now that Washington has proved willing to put its provocative doctrine of military pre-emption into practice, Iran's desire for nuclear weapons makes strategic sense. And Tehran cannot be entirely faulted for rushing to acquire them. When the Bush administration invaded Iraq, which was not yet nuclearized, and avoided using force against North Korea, which already was, Iranians came to see nuclear weapons as the only viable deterrent to U.S. military action.

Although Iranian leaders agree on the strategic value of a strong nuclear program, they are divided over just how strong it should be. Conservative ideologues press for a nuclear breakout in defiance of international opinion, whereas conservative realists argue that restraint best serves Iran's interests. The ideologues, who view a conflict with the United States as inevitable, believe that the only way to ensure the survival of the Islamic Republic--and its ideals--is to equip it with an independent nuclear capability. Ali Akbar Nateq-Nuri, a conservative presidential candidate in 1997 and now an influential adviser to Khamenei, dismissed Tehran's recent negotiations with the Europeans, noting, "Fortunately, the opinion polls show that 75 to 80 percent of Iranians want to resist and [to] continue our program and reject humiliation." In the cosmology of such hard-liners, nuclear arms have not only strategic value, but also currency in domestic politics. Iranian conservatives see their defiance of the Great Satan as a means of mobilizing nationalistic opinion behind a revolution that has gradually lost popular legitimacy.

In contrast, the clerical realists warn that, with Iran under intense international scrutiny, any act of provocation by Tehran would lead other states to embrace Washington's punitive approach and further isolate the theocratic regime. In an interview in 2002, the pragmatic minister of defense, Ali Shamkhani, warned that the "existence of nuclear weapons will turn us into a threat to others that could be exploited in a dangerous way to harm our relations with the countries of the region." The economic dimension of nuclear diplomacy is also pushing the pragmatists toward restraint, as Iran's feeble economy can ill afford the imposition of multilateral sanctions. "If there [are] domestic and foreign conflicts, foreign capital will not flow into the country," Rafsanjani has warned. "In fact, such conflicts will lead to the flight of capital from this country."

IT'S THE ECONOMY, STUPID

Despite ample natural resources, Iran continues to suffer double-digit rates of inflation and unemployment. A million young Iranians enter the job market every year, but the economy produces less than half that many jobs. The clerics' penchant for centralization has bred an inefficient command economy with a bloated bureaucracy. Extensive subsidies for basic commodities, such as wheat and gasoline, waste tens of billions of dollars but do little to alleviate poverty. Massive foundations that are philanthropic only in name monopolize key sectors of the economy, operating with little competition, regulation, or taxation. Inefficient state-owned enterprises drain the government budget, and a vast gray market of commercial entities has been spun off from government ministries. The recent increase in oil prices is not a long-term solution to Iran's woes; the economy's flaws run much too deep. Twenty-five years after Iran's revolution pledged to deliver a more just society, the Islamic Republic has spawned an economy that benefits only an elite group of clerics and their cronies and stifles private enterprise.

Reform is possible, but it would require selling off public enterprises and scaling back the government's onerous subsidies. Iran's clerical elite is too implicated in corrupt arrangements and too fearful of losing its prerogatives to endorse measures that would fundamentally alter the structure of the economy. Concerns that an aggressive privatization program would unleash popular dissatisfaction are discouraging reform. Any attempt to restructure the public sector would exacerbate an already inflamed unemployment crisis. The reactionary Council of Guardians is unlikely to countenance privatizing key sectors such as the banking industry, as such measures run counter to Iran's constitution. And a serious campaign against corruption would alienate the regime's remaining loyalists.

Iran's technocrats recognize the country's deepening economic predicament. Muhammad Khazai, the deputy minister of economy and finance, has acknowledged that Iran will need $20 billion in investment every year for the next five years if it is to provide sufficient jobs for its citizens. The oil industry--the lifeblood of Iran's economy--faces an even more daunting challenge. The National Iranian Oil Company estimates that $70 billion is needed over the next ten years to modernize the country's dilapidated infrastructure and is counting on foreign oil companies and international capital markets to provide approximately three-quarters of those massive investments. Given the clerical elite's inability to reform the economy, foreign investments have become critical to Iran's economic revival. Khazai insists, "We should be thinking of drawing foreign investments and [of] prepar[ing] the ground for [an] inflow of foreign capital."

Some officials have gone so far as to suggest that Iran's economic difficulties cannot be redressed if Tehran continues to have such a tense relationship with the United States. The exasperated head of the Management and Planning Organization, Hamid Reza Baradaran Shoraka, has noted that among the major obstacles to the country's development are the economic sanctions imposed by Washington. Continued antagonism toward the United States would hardly ensure that these sanctions are lifted.

As a result, the realists have tried to leverage Iran's nuclear intentions to secure a more favorable security and economic relationship with the United States. Like the North Korean leadership, Iran's clerical oligarchs are hoping to use Tehran's nuclear ambitions to force negotiations with and extract concessions from Washington. In a press conference in September, the powerful secretary of the Supreme National Security Council, Hasan Rowhani,

acknowledged that Tehran had held constructive talks with U.S. officials on the war in Afghanistan and suggested that "such negotiations on the nuclear file [are] not totally out of [the] question." Fearful that Iran's feeble economy could not withstand more multilateral sanctions, Iran's pragmatists are willing to back down on the nuclear question to help save the economy.

So far, these competing pressures have resulted in inconsistent government positions. Even as it has agreed to suspend efforts to acquire nuclear capabilities, the Iranian government has insisted that it would never give up its nuclear weapons program and, in fact, has prodded it along. Meanwhile, in an attempt to head off international sanctions, Khamenei has temporarily sided with the realists. Despite calls by clerical firebrands and the Iranian parliament to discard the Nonproliferation Treaty (NPT), in October 2003, he agreed that Tehran would sign the NPT's Additional Protocol, including provisions for a fairly intrusive inspection regime. Last November, Tehran also accepted a deal brokered by France, Germany, and the United Kingdom to suspend uranium-enrichment activities and forgo completion of the nuclear fuel cycle.

A NEW APPROACH

With Tehran divided over how to balance its nuclear ambitions with its economic needs, Washington has an opportunity to keep it from crossing the nuclear threshold. Since the economy is a growing concern for the Iranian leadership, Washington can boost its leverage by working with the states that are most important to Tehran's international economic relations: the western European countries and Japan, as well as Russia and China, if they can be persuaded to cooperate. Together, these states must raise the economic stakes of Iran's nuclear aspirations. They must force Tehran to confront a painful choice: either nuclear weapons or economic health. Painting Tehran's alternatives so starkly will require dramatically raising both the returns it would gain for compliance and the price it would pay for defiance.

In the past, dissension among the United States and its allies allowed Tehran to circumvent this difficult choice. Throughout the 1990s, the United States pursued a strategy of pure coercion toward Iran, with strong sanctions and a weak covert action program. In the meantime, the Europeans refused even to threaten to cut their commercial relations with Tehran, no matter how bad its behavior became. Iran played Europe off against the United States, using European economic largesse to mitigate the effects of U.S. sanctions, all the while making considerable progress with its clandestine nuclear program.

Today, the situation is different. A fortunate result of Iran's unfortunate nuclear progress is that Tehran will now have a much harder time hedging. Revelations that Iran has moved closer toward producing fissile material over the past two years could help forge a unified Western position. In the 1990s, Europeans could ignore much of Iran's malfeasance because the evidence was ambiguous. But with the IAEA recently having uncovered so many of Iran's covert enrichment activities--and with Tehran subsequently having admitted them--it will be far more uncomfortable, if not impossible, for Europeans to keep looking the other way. It is still unclear just how seriously Europe takes Iran's nuclear activities, but in public and private statements, European officials no longer try to play them down. Moreover, when during negotiations with the EU in November Tehran requested that 20 research centrifuges remain active, the Europeans refused. Such resolve marked a drastic departure from Europe's fecklessness during the 1990s. That Tehran quickly complied was a sure sign that it fears incurring the wrath of its economic benefactors.

It may now be possible to fashion a multilateral policy that can persuade Tehran to abandon its nuclear program. Working together, the United States and its allies should lay out two dramatically diverging paths for Iran. On one course, Iran would agree to give up its nuclear program, accept a comprehensive inspection regime, and end its support for terrorism. In exchange, the United States would lift sanctions and settle Iran's claims over the assets of Shah Mohammed Reza Pahlavi. The West would also consider bringing Iran into international economic organizations such as the World Trade Organization, granting Iran increased commercial ties, and perhaps even providing it with economic assistance. Western nations could sweeten the deal by agreeing to assist Iran with its energy needs (the ostensible reason for its nuclear research program) and to forswear direct military attack. The United States could also help create a new security architecture in the Persian Gulf in which Iranians, Arabs, and Americans would find cooperative ways to address their security concerns, much as Washington did with the Russians in Europe during the 1970s and the 1980s. If, on the other hand, Iran decided to stay its current course, U.S. allies would join Washington in imposing precisely the sort of sanctions the mullahs fear would scuttle Iran's precarious economy. These sanctions could take the form of everything from barring investment in specific projects or entire sectors (such as the oil industry) to severing all commercial contacts with Iran if it proved utterly unwilling to address Western demands.

UPPING THE ANTE

In an ideal world, the Iranians would agree to work out all their differences with the West in a single grand bargain. Such a comprehensive deal would serve Washington well, as it would be the fastest way to resolve current disputes and the surest platform from which to build a new, cooperative relationship. In fact, under the presidencies of Ronald Reagan, George H.W. Bush, and Bill Clinton, Washington repeatedly offered such an approach. But conservative ideologues in Tehran repeatedly quashed the efforts of any Iranian who attempted to take up the United States' conciliatory offers. The Clinton administration made nearly a dozen unilateral gestures toward Iran, including the partial lifting of sanctions, to enable the reformist government of President Muhammad Khatami to participate in such negotiations. But these overtures triggered a conservative backlash that eventually debilitated Khatami's government.

Even if a grand bargain seems unlikely given Iran's complicated domestic politics, a policy of true "carrots and sticks" remains a viable option. In this case, Western nations would lay out the same two paths for Iran but would do so as statements of a joint policy, rather than as the goals of bilateral negotiations with Tehran. Officials from the United States, European countries, and Japan--as well as from any other country willing to participate, including China and Russia--would explicitly define what they expect Iran to do and not do. To each of these actions, the allies would attach positive and negative inducements (the "carrots" and the "sticks"), so that Tehran could clearly understand both the benefits it would gain from ending nuclear and terrorist activities and the penalties it would suffer for refusing to end them.

Such an effort will not be easy. The United States and its allies will have a hard time defining clear benchmarks to measure Iran's compliance, and they will likely disagree over how much to reward or punish Tehran at each step. But the approach can work, so long as a few critical measures are applied.

First, the strategy requires that both the potential rewards and the potential penalties be significant. Iranian hard-liners will not abandon their nuclear program easily. Although the mullahs are not as stubborn as North Korean leader Kim Jong Il continues to be--they would not knowingly allow three million fellow citizens to die of starvation just to preserve their nuclear program--they unquestionably are willing to tolerate considerable hardship to keep their nuclear hopes alive. In order to change Tehran's behavior, therefore, the inducements will have to be potent: big rewards that could revive the economy or heavy sanctions that would surely cripple it.

Second, Tehran must be presented with the prospect of serious rewards, not just punishments; Washington must be willing to make concessions to Iran in return for real concessions from it. The most obvious reason for this condition is that the Europeans insist on it. European diplomats have consistently said that they can persuade their reluctant governments to threaten serious sanctions for Iran's continued misbehavior only if the United States agrees to reward compliance with real economic benefits.

The carrots, moreover, need to be as big as the sticks. Only the prospect of significant bonuses will provide ammunition to pragmatists in Tehran who argue that Iran should revise its nuclear stance to secure the benefits necessary to revitalize its troubled economy. Current levels of trade and investment from Europe and Japan have not been adequate to solve Iran's deep-seated economic problems. The pragmatists' case will become convincing only if Tehran's compliance with Western demands can help the Iranian economy do better than it does now. Granting enough economic concessions to maintain the status quo probably would not sway undecided Iranians; significantly more generous incentives might.

The painful experience of trying to make the Iraq sanctions stick during the 1990s suggests another prerequisite for the approach that must be adopted with Tehran. One of the lessons learned from Iraq was that, although many governments threatened Saddam Hussein with sanctions if he defied the international community, few imposed them when he did. Spelling out in advance all of the steps Tehran is expected to take or to avoid, as well as the specific rewards and punishments they would incur, is the best way to prevent Iran and U.S. allies from reneging on their commitments as they did in Iraq.

Last, all incentives must be applied in graduated increments, so that small steps, positive or negative, would bring Tehran commensurate gains or sanctions. For Iranians to even consider forgoing their nuclear ambitions, they will need to see tangible gains from the start, as well as be able to point to a pot of gold at the end. Conversely, Tehran probably will not change course if it does not systematically suffer increasingly severe consequences for its reticence. Without immediate and automatic penalties, it is likely to act as it did throughout the 1990s, dismissing the West's promises and warnings as empty rhetoric while continuing to advance its program under the status quo.

THE LEAST BAD OPTION

There is, of course, no guarantee that such an approach will persuade Tehran to end its nuclear projects or its

support for terrorism. Even if Iran does halt these projects, the strategy is far from perfect: at the very least, it will require Washington to live for some time longer with a regime it abhors. But by setting out clearly the rewards Iran would accrue for cooperating and the penalties it would suffer for bucking, a carrots-and-sticks policy would force Iran's leadership to confront the choice it never wanted to make: whether to shelve its nuclear program or risk the crippling of its economy. Because Iran's economic woes have been a major factor in popular discontent with the regime, there is good reason to believe that, if forced to make such a choice, Tehran would grudgingly opt to save its economy and look for other ways to deal with its security and foreign policy aspirations.

This approach also is the best available, for it has a much greater chance of succeeding than the alternatives. Invading Iran simply should not be an option; Washington should not try to deal with Tehran's nuclear program and its support for terrorism as it did with the Taliban and Saddam's regime. The United States is now in the thick of reconstruction in Afghanistan and Iraq, leaving it with very limited forces available to invade another country. Iran's mountainous terrain and large, nationalistic population would likely make any military campaign daunting. Postwar reconstruction would be even more complex and debilitating there than it has been in Afghanistan and Iraq.

Although most Iranians want a different type of government than they have and a better relationship with the United States, it would be foolhardy to believe that Washington could solve its problems with Tehran's nuclear ambitions by staging a coup or inciting a popular revolution to topple the current regime. Young Iranians seem to have a better image of the United States than their elders did, but their greater open-mindedness should not be confused with a desire to see U.S. interference in Iranian politics, something Iranians have responded to with ferocity in the past. Furthermore, although many Iranians may want a different government, they have shown little inclination to do what would be necessary to dislodge the current one. Most are weary of revolutions: when they had the chance to start one, amid student demonstrations in the summer of 1999, few heeded the call. There is good reason to believe that this regime's days are numbered, but little to think that it will fall soon enough or that the United States can do much to speed its demise. Advocating regime change might be a useful adjunct to a new Iran policy, but it will not solve Washington's immediate problems with Iran's nuclear program and its support for terrorism.

Likewise, at present, the costs, uncertainties, and risks of waging an air campaign to destroy Iran's nuclear sites are too great to make it anything but a measure of last resort--the hopes of some in the Bush administration notwithstanding. Because Tehran has managed to conceal major nuclear facilities, it is unclear by how much even successful bombing could set back the country's nuclear development. Moreover, no matter how little damage it suffered, Iran would likely retaliate. It has the most capable terrorist network in the world, and the United States would have to stand ready for a full onslaught of attacks. Perhaps even more important, a U.S. military campaign would probably prompt Tehran to unleash a clandestine war on U.S. forces in Iraq. The Iranians are hardly omnipotent there, but they could make the situation far more miserable and deadly than it already is. Without better intelligence about Iran's nuclear program and better protection against an Iranian counterattack, the idea of a U.S. air campaign should be kept on the shelf as a last-ditch option.

Iran today is at a crossroads. It might restrain its nuclear ambitions to the parameters set out in the NPT, or it might rashly cross the threshold, brandishing the bomb as a tool of revolutionary diplomacy. It might play a positive role in rebuilding a stable Iraq, or it might be a dogmatic actor that exacerbates Iraq's sectarian and ethnic cleavages. As difficult as the U.S. predicament is in Iraq today, Tehran could make it much worse: it could dramatically inflame the insurgency and destabilize its already insecure neighbor. Since the demise of Saddam Hussein, Iran has dispatched clerics and Revolutionary Guards to Iraq and released funds to establish an intricate network of influence there. It is still unclear what the theocracy's specific goals are, but there is concern that they could be at odds with those of the United States.

Much now depends on Washington's conduct, the security environment that emerges in the region, and the extent to which Washington and its allies can force Tehran to choose between its nuclear ambitions and its economic well-being. Given Iran's economic frailty and shifting power dynamics within its leadership, a strategy offering strong rewards and severe penalties has a reasonable chance of discouraging Tehran from its nuclear plans, especially if the Europeans and the Japanese are willing to participate in full. In fact, it is the only plan that has any real prospect of success at present. Rather than continue to criticize everyone else's Iran policy, the United States should stop making perfect the enemy of good enough. Washington has a chance to curb Tehran's alarming behavior, with the help of its allies and without resort to force. If it does not seize the opportunity now, at some point soon it will likely wish it had.